



## MEMORANDUM

**DATE:** May 15, 2020

**TO:** USAID/Pakistan Mission Director, Julie A. Koenen

**FROM:** USAID OIG Asia Regional Office Audit Director, James C. Charlifue /s/

**SUBJECT:** Financial Audit of Project Management & Engineering Services for Federally Administered Tribal Areas Infrastructure Program in Pakistan Managed by the Federally Administered Tribal Areas Secretariat, Agreement 391-013-PIL-032, for the Year Ended June 30, 2018 (5-391-20-037-R)

This memorandum transmits the final audit report on the Project Management & Engineering Services for Federally Administered Tribal Areas Infrastructure Program in Pakistan managed by the Federally Administered Tribal Areas Secretariat (FATA). The audit was conducted by the Auditor General of Pakistan (Auditor General). According to the Auditor General, it performed its audit in accordance with the generally accepted government auditing standards (GAGAS) and the international standards of supreme audit institutions (ISSAIs).<sup>1</sup> The Auditor General is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on FATA's fund accountability statement (FAS); the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

The audit objectives were to (1) express an opinion on whether FATA's FAS for the period audited was presented fairly, in all material respects; (2) evaluate FATA's internal controls; and (3) determine whether FATA complied with agreement terms and applicable laws and regulations. To answer the audit objectives, the Auditor General examined the FAS and

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<sup>1</sup> In the report on the FAS, the Auditor General stated that it performed its audit in accordance with GAGAS; and in the executive summary in the management letter, the Auditor General indicated that the audit was conducted in accordance with ISSAIs. According to the mission, the Auditor General fully complies with ISSAIs but not with GAGAS, particularly on the requirements on having a continuing professional education program and external quality control reviews.

<sup>2</sup> We reviewed the Auditor General's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

supporting documentation; evaluated FATA's internal controls relevant to the project; and tested compliance with agreement terms and applicable laws and regulations. The audit covered project revenues and costs of \$928,691 and \$878,466 respectively, for the year ended June 30, 2018.

The Auditor General concluded that the FAS presented fairly, in all material respects, project revenues and costs incurred under the agreement for the period audited. The Auditor General did not identify any (1) questioned costs in the FAS and in the report on the FAS; (2) material weaknesses in internal control in the report on internal control; or (3) material instances of noncompliance in the report on compliance. The Auditor General also issued a management letter to FATA identifying six findings related to financial management and monitoring and evaluation.

During our desk review, we noted issues that the Auditor General will need to address in future audit reports. We presented these issues in a memorandum to the controller dated May 15, 2020.

Given the above results of the audit, we are not making any recommendation for inclusion in USAID's Consolidated Audit and Compliance Tracking System. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").

Attachment: a/s